Energy Risk Awards 2017 Winner

Innovation of the year

Aquilon

EnergyRisk Awards 2017

Top of the class

Following years of uncertainty, commodity derivatives markets have been in recovery mode over the past few months. While regulatory change continues to disrupt markets, a number of the more established names have been joined by young innovative firms in the *Energy Risk* Awards 2017.

Much of the recovery in commodity derivatives trading and the flock back to the market has been driven by energy. At the heart of that has been oil, which started to show real signs of life toward the end of last year as physical markets were buoyed by production limiting agreements and the surge in US shale. With oil taking the lead, liquefied natural gas, coal, utilities and a variety of other sectors along the energy derivatives supply chain have enjoyed greater attention in the last few months.

But 2016 was far from straightforward for commodities traders. Markets continued to struggle, with price risk and wider economic forces keeping growth at bay. As the dust settles though, those firms that remained, along with a new generation of tech-savvy organisations armed with market knowledge, make up a diverse and energetic market.

It's been a long-term strategy for some of those who have remained in the market. Citi – who watched as Barclays, Credit Suisse and Deutsche Bank retreated from commodities in the past few years – has persisted and is now a central presence in many verticals. "This has been a multi-year process for Citi, after emerging from the financial crisis in 2010," says the firm's global head of commodities Stuart Staley. Citi wins our derivatives house of the year, electricity house of the year and precious metals house of the year awards.

Other banks that have stuck to their commodities businesses in the past few years, bucking the trend when their counterparts left the space, have also been recognised in this year's *Energy Risk* Awards.

Societe Generale wins deal of the year, for its part in the Castleton Commodities International acquisition of Anadarko East Texas Assets, and BNP Paribas makes its mark to take base metals house of the year.

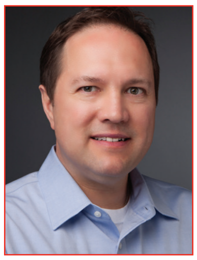
An interesting trend across commodities trading markets over the past few years has been the rise of non-banks: small organisations set for fast growth and reactive to changing market conditions. As such, some of our winners have been sniffing out liquidity in new places – from Greek and Italian power markets, to cobalt and new energies. Other growing companies developed exponentially over the course of 2016 and are enjoying great success in a number of markets. Long may that last.

Here, you'll find profiles on each of our winners, and we've highlighted some of the reasons that have made them stand out.

The *Energy Risk* Awards are decided by the *Risk.net* editorial team following a lengthy vetting process in which our judges examine each firm's accomplishments and speak to its clients and counterparties. The awards are not intended to honour the dealers with the greatest market share or revenues, but rather to highlight those firms that are most appreciated by their clients and most innovative in their deal-making, in the judgement of *Risk.net*. ■

Innovation of the year

Aquilon Energy Services



Automation has become an increasingly important tool to create efficiencies and reduce costs against the backdrop of lower prices and increased regulatory scrutiny in energy markets. In the back office in particular, systems and processes that rely on emails, spreadsheets and PDFs are struggling to handle processes in areas such as settlements, as increasing amounts of data flow into energy businesses. This information must be managed and reported according to a complex web of new rules. Automating the settlement process could increase accuracy and efficiency, and cut costs for users.

However, when Jeff Wagner, Chicago-based chief executive officer of Aquilon Energy Services, started researching settlement systems, he was surprised to find few tools that addressed the growing need for automated solutions in the energy sector. So he created Energy Settlement Network (ESN). A cloud-based platform, it enables buyers and sellers to track, review and approve physical and financial transactions in power and gas, with crude and ISO (independent system operators) capabilities being added this year. ESN users can identify and address any discrepancies through real-time counterparty collaboration, and it also enables transaction reconciliation from the day after delivery.

"By using matching technology, ESN provides organisations with more time to identify and reconcile exceptions during the settlement process," Wagner says.

ESN will improve efficiency in relation to current settlement practices, using automation to create an industry standard, he says. "We truly expect that this is going to become an industry standard because we are working with industry leaders as we build the platform out."

Industry input

The platform attracted $19 million during its latest round of financing in February 2017, including investments from Citi, Goldman Sachs Principal Strategic Investments, Invenergy and Macquarie Group. All four companies have also deployed ESN, and there's a lot more potential, says Wagner.

"From the time we founded the organisation, we targeted larger industry players to become customers because we wanted to work with them to establish an industry standard for this type of platform," he says. "These organisations bring a very large network of counterparties to our system."

When the platform's first user, Talen Energy, started to use ESN, 98% of its counterparties interacted with the system. The aim is to create a similar success rate among the counterparties of new users such as Citi and Goldman Sachs, says Mike Egan, Aquilon's chief operating officer. The ESN network of users will expand from 125 organisations to nearly 1,000 by the end of 2017, Wagner says, as a result of the access to these organisation's counterparties.

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> Jeff Wagner, Aquilon Energy Services

Speaking from the company's new offices in Houston, Egan added that Aquilon aims to nearly double its 35-person company headcount by the end of the year to handle the expected increase in users. Employees will work from Aquilon's current Chicago office as well as the Houston location.

Current users that were interviewed by *Energy Risk* praised ESN's ease of deployment, which Egan says can take as little as 70 days largely due to the fact that ESN is cloud-based. "The really exciting thing about the cloud is rapid deployment," he adds. "The service is there, it's settling power and natural gas right now, organisations simply connect to it." As a cloud-based system, it also does not require any software or hardware maintenance by users.

Attracting new users

Wagner says that such benefits have been well received. "The manual process is standard throughout the industry today so ESN addresses the same manual processes these organisations all use," he says. "Obviously, there are differences between [organisations'] energy trading and risk management (ETRM) systems, as well as [their] internal processes, but the automation ESN can introduce is truly addressing an industry-wide issue."

Egan adds that as energy companies look for ways to reduce both the operational expense and the risks arising from manual processes, ESN provides a targeted option for energy trading companies. "Employees performing this work on the ground need new tools because the spreadsheet/email/pdf process that they currently use is lacking," he says. "When we show potential users the screens, tools, features and functions of ESN, it really resonates with them – it was built for them."

By developing a tailor-made product for a specific business area – back office settlements – that has traditionally been ignored by software firms, Aquilon aims to address an underserved part of the market. "Energy companies are looking for ways to create efficiency given current commodity price levels. There is a need to tighten up operational expenses and ESN is a very timely operational expense focus," Egan says. "We see the industry looking at settlements and saying, 'it's time; this is an area that has not been served before'. So we believe it is the right time to focus on this."